

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Hartwick Township	County Osceola
Audit Date 3/31/05	Opinion Date 6/20/05	Date Accountant Report Submitted to State: July 8, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature 		Date	

HARTWICK TOWNSHIP, OSCEOLA COUNTY

EVART, MICHIGAN

MARCH 31, 2005

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

MARCH 31, 2005

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CERTIFIED PUBLIC ACCOUNTANTS

June 20, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Hartwick Township
Osceola County
Evart, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hartwick Township, Osceola County, Evart, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hartwick Township, Osceola County, Evart, Michigan as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hartwick Township, Osceola County, Ewart, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Hartwick Township, a general law township located in Osceola County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Hartwick Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$84,548. Of this amount, \$29,784 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$47,065. About 63.28% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Hartwick Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township’s that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years’ financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$84,548 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount.

Hartwick Township
Net Assets as of March 31, 2005

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 47,065
Non Current Assets	
Capital Assets	60,544
Less: Accumulated Depreciation	<u>(23,061)</u>
Total Non Current Assets	<u>37,483</u>
Total Assets	<u>\$ 84,548</u>
Liabilities	
Current Liabilities	\$ <u>0</u>
Net Assets	
Invested in Capital Assets	37,483
Restricted for Specific Purposes	17,281
Unrestricted	<u>29,784</u>
Total Net Assets	<u>84,548</u>
Total Liabilities and Net Assets	<u>\$ 84,548</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of March 31, 2005. Other liabilities are minimal as of March 31, 2005.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Hartwick Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2005

	Governmental Activities
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 2,550
General Revenues	
Property Taxes	33,566
Licenses and Permits	1,395
State Shared Revenue	44,517
Unrestricted Investment Earnings	424
Other	211
Total Revenues	\$ 82,663
<u>Expenses</u>	
Legislative	\$ 5,415
General Government, Administrative	35,534
Public Safety	9,162
Public Works	26,604
Community and Economic Development	2,109
Recreational and Cultural	300
Other Functions	6,850
Total Expenses	85,974
Changes in Net Assets	(3,311)
NET ASSETS – Beginning of Year	87,859
NET ASSETS – End of Year	\$ 84,548

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assets decreased by \$3,311 or 3.77% in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Hartwick Township comes from property taxes. The Township levied .8220 mills for operating purposes.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses that total 41.33% of total expenses. The Township spent \$35,534 in fiscal year 2005 on General Administrative expenses. Public Works represented the next largest expense at \$26,604, or 30.94% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Administrative expenses at \$30,491. Depreciation expense added another \$1,169.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Hartwick Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Hartwick Township's governmental funds reported combined ending fund balances of \$47,065. Approximately 63.28%, or \$29,784 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

General Fund – The General Fund decreased its fund balance by \$19,423 which brings the fund balance to \$29,784. The General Fund's fund balance is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Property taxes amounted to \$15,058. State shared revenues were collected in the amount of \$44,517.

Road Fund – The Road Fund increased its fund balance by \$17,281 which brings the fund balance to \$17,281. This balance is reserved and must be used for road maintenance. Property taxes collected amounted to \$17,281.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2005 amounted to \$37,483 net of accumulated depreciation. There was no change in the Township's investment in capital assets for the current fiscal year.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Hartwick Township
Capital Assets as of March 31, 2005

		Governmental Activities
Land and Land Improvements	\$	14,544
Buildings		45,000
Equipment, Furniture and Fixtures		1,000
		<hr/> 60,544
Less Accumulated Depreciation		<hr/> 23,061
Net Capital Assets	\$	<u><u>37,483</u></u>

There were no major capital asset events during the current fiscal year.

Long-Term Debt. Hartwick Township has no obligation for any long-term debt as of March 31, 2005.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2005-06 fiscal year. The Township's millage rate will be reduced again by the Headlee Amendment rollback from the 0.8220 mills for general operating purposes levied in 2004-2005.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Hartwick Township at 10823 15 Mile Road, Evart, MI 49631.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 42,591
Taxes Receivable	4,455
Due from Other Governments	<u>19</u>
Total Current Assets	<u>\$ 47,065</u>
<u>CAPITAL ASSETS</u>	
Land	\$ 9,174
Land Improvements	5,370
Buildings	45,000
Equipment	<u>1,000</u>
	\$ 60,544
Less Accumulated Depreciation	<u>23,061</u>
Net Capital Assets	<u>\$ 37,483</u>
 TOTAL ASSETS	 <u><u>\$ 84,548</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	<u>\$ 0</u>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	\$ 37,483
Restricted for Road Maintenance	17,281
Unrestricted	<u>29,784</u>
Total Net Assets	<u>\$ 84,548</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 84,548</u></u>

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL		
					ACTIVITIES	TOTALS	
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 5,415	\$ 0	\$ 0	\$ 0	\$ (5,415)	\$ (5,415)	
General Government	35,534	2,550	0	0	(32,984)	(32,984)	
Public Safety	9,162	0	0	0	(9,162)	(9,162)	
Public Works	26,604	0	0	0	(26,604)	(26,604)	
Community and Economic Development	2,109	0	0	0	(2,109)	(2,109)	
Recreation and Cultural	300	0	0	0	(300)	(300)	
Other Functions	6,850	0	0	0	(6,850)	(6,850)	
Total Governmental Activities	<u>\$ 85,974</u>	<u>\$ 2,550</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (83,424)</u>	<u>\$ (83,424)</u>	
<u>GENERAL REVENUES</u>							
Property Tax					\$ 33,566	\$ 33,566	
Licenses and Permits					1,395	1,395	
State Shared Revenue					44,517	44,517	
Unrestricted Investment Earnings					424	424	
Other					211	211	
Total General Revenues					<u>80,113</u>	<u>80,113</u>	
Change in Net Assets					(3,311)	(3,311)	
<u>NET ASSETS</u> - Beginning of Year					87,859	87,859	
<u>NET ASSETS</u> - End of Year					<u>\$ 84,548</u>	<u>\$ 84,548</u>	

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, MECOSTA COUNTY
EVART, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2005

	<u>GENERAL FUND</u>	<u>ROAD FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 27,691	\$ 14,900	\$ 42,591
Taxes Receivable	2,074	2,381	4,455
Due From Other Funds	19	0	19
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 29,784</u>	<u>\$ 17,281</u>	<u>\$ 47,065</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 <u>FUND BALANCE</u>			
Reserved for:			
Road Maintenance	\$ 0	\$ 17,281	\$ 17,281
Unreserved			
Undesignated	29,784	0	29,784
Total Fund Balance	<u>\$ 29,784</u>	<u>\$ 17,281</u>	<u>\$ 47,065</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 29,784</u>	 <u>\$ 17,281</u>	 <u>\$ 47,065</u>

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balances for Governmental Funds	\$	47,065
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	9,174	
Land Improvements		5,370	
Buildings		45,000	
Equipment, Furniture and Vehicles		1,000	
Accumulated Depreciation		(23,061)	37,483

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>84,548</u>
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The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY

EVART, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	ROAD FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 16,285	\$ 17,281	\$ 33,566
Licenses and Permits	1,395	0	1,395
State Grants	44,517	0	44,517
Charges for Services	1,660	0	1,660
Interest and Rents	1,314	0	1,314
Other Revenues	211	0	211
Total Revenues	65,382	17,281	82,663
<u>EXPENDITURES</u>			
Legislative	5,415	0	5,415
General Government	34,365	0	34,365
Public Safety	9,162	0	9,162
Public Works	26,604	0	26,604
Community and Economic Development	2,109	0	2,109
Recreation and Cultural	300	0	300
Other Functions	6,850	0	6,850
Total Expenditures	84,805	0	84,805
Net Change in Fund Balance	(19,423)	17,281	(2,142)
<u>FUND BALANCE</u> - Beginning of Year	49,207	0	49,207
<u>FUND BALANCE</u> - End of Year	\$ 29,784	\$ 17,281	\$ 47,065

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ (2,142)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	<u>(1,169)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (3,311)</u></u>

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 19
	<u> </u>
<u>LIABILITIES</u>	
Due to General Fund	\$ 19
	<u> </u>

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Hartwick Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Hartwick Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

Additionally Hartwick Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township Board authorized the Treasurer to invest in the following:

Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, but only in the bank, savings and loan association, or credit union meet all criteria as a depository of public funds contained in state law.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County, school taxes and all other taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of Hartwick Township totaled \$18,323,050, on which ad valorem taxes levied consisted of .8220 mills for Hartwick Township operating purposes. The levy raised \$15,070 for operating purposes.

3. *Inventories*

Inventories are not significant and are expensed when purchased.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40-60
Building Improvements	15-30
Land improvements	25
Equipment and Furniture	3-5

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 29, 2004, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

B. Funds with expenditures in excess of appropriations were as follows:

As of March 31, 2005, there were no expenditures in excess of appropriations.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year-end, the carrying amount of the Township's regular deposits was \$42,610 and the bank balance was \$43,358 all of which was covered by federal depository insurance.

The Township's deposits at year-end are shown below:

	GENERAL FUND	ROAD FUND	CURRENT TAX COLLECTION FUND
Citizen's Bank			
Evart, Michigan			
Commercial Account	\$ 59	\$ 0	\$ 0
Money Market Account	27,632	0	19
Certificates of Deposit	0	14,900	0
TOTAL	\$ 27,691	\$ 14,900	\$ 19

A reconciliation of cash and investments follows:

	PRIMARY GOVERNMENT
Carrying amount of Deposits	\$ <u>42,610</u>
Government-wide Statement of Net Assets	
Cash	\$ 42,591
Statement of Fiduciary Net Assets	
Cash	<u>19</u>
TOTAL	\$ <u><u>42,610</u></u>

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>	<u>Road</u>	<u>Total</u>
Receivables			
Taxes	\$ 2,074	\$ 2,381	\$ 4,455

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

C. Capital Assets

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 9,174	\$ 0	\$ 0	\$ 9,174
Capital assets, being depreciated				
Buildings	\$ 45,000	\$ 0	\$ 0	\$ 45,000
Land Improvements	5,370	0	0	5,370
Machinery and Equipment	1,000	0	0	1,000
Total capital assets, being depreciated	\$ 51,370	\$ 0	\$ 0	\$ 51,370
Less accumulated depreciation for:				
Buildings	\$ 20,400	\$ 900	\$ 0	\$ 21,300
Land Improvements	492	269	0	761
Machinery and equipment	1,000	0	0	1,000
Total accumulated depreciation	\$ 21,892	\$ 1,169	\$ 0	\$ 23,061
Total capital assets, being depreciated, net	29,478	(1,169)	0	28,309
Governmental activities capital assets, net	\$ 38,652	\$ (1,169)	\$ 0	\$ 37,483

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government \$ 1,169

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at March 31, 2005, were:

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund		
Current Tax	\$ 19	\$ 0
Current Tax		
General Fund	0	19
Total Primary Government	\$ 19	\$ 19

E. Long-Term Debt

At March 31, 2005, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Road Fund

Road Maintenance \$ 17,281

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

Effective April 19, 1981, the Township established a Simplified Employee Pension – Individual Retirement Account (SEP-IRA). The plan was established with NBD Bank, Detroit, Michigan. The plan covers all township employees except those employees who receive less than \$300 of compensation during the year, and those employees under 18 years of age. Contributions to the plan are determined from year to year by the Township but shall never be less than 7.5% of compensation. Township contributions to the plan for 2004-2005 amounted to \$1,106 which was 7.5% of covered compensation for the period January 1, 2004 to December 31, 2004. For the plan year, wages for those covered under the plan was \$14,744 total wages for all employees including non-covered payroll was \$17,642 for the Township fiscal year.

The individual retirement account balances become the property of the employee immediately. Therefore, there are no plan assets or liabilities which are included as part of the township reporting entity.

C. Property Taxes

The Township levied 1.7653 mills in tax on state taxable value of \$18,323,050 on the 2004 tax roll. The 1.7653 mill levy was for the following purposes:

Road Improvement	.9433
General Operations	<u>.8220</u>
	<u><u>1.7653</u></u>

D. Interest Income and Expense

For the year ended March 31, 2005 interest income and expense was as follows:

	Interest	
	Income	Expense
General Fund	\$ 424	\$ 0
Road Fund	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 424</u>	<u>\$ 0</u>

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND				ROAD FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 17,000	\$ 17,000	\$ 16,285	\$ (715)	\$ 0	\$ 0	\$ 17,281	\$ 17,281
Licenses and Permits	0	0	1,395	1,395	0	0	0	0
State Grants	40,000	40,000	44,517	4,517	0	0	0	0
Charges for Services	1,000	1,000	1,660	660	0	0	0	0
Interest and Rents	1,900	1,900	1,314	(586)	0	0	0	0
Other Revenues	1,000	1,000	211	(789)	0	0	0	0
Total Revenues	60,900	60,900	65,382	4,482	0	0	17,281	17,281
<u>EXPENDITURES</u>								
Legislative	4,709	5,563	5,415	148	0	0	0	0
General Government	39,355	39,685	34,365	5,320	0	0	0	0
Public Safety	10,000	10,000	9,162	838	0	0	0	0
Public Works	40,000	37,207	26,604	10,603	0	0	0	0
Community and Economic Development	500	2,109	2,109	0	0	0	0	0
Recreation and Cultural	500	500	300	200	0	0	0	0
Other Functions	10,000	10,000	6,850	3,150	0	0	0	0
Contingency	3,000	3,000	0	3,000	0	0	0	0
Total Expenditures	108,064	108,064	84,805	23,259	0	0	0	0
Net Change in Fund Balance	(47,164)	(47,164)	(19,423)	27,741	0	0	17,281	17,281
<u>FUND BALANCE</u> - Beginning of Year	47,280	47,280	49,207	1,927	0	0	0	0
<u>FUND BALANCE</u> - End of Year	\$ 116	\$ 116	\$ 29,784	\$ 29,668	\$ 0	\$ 0	\$ 17,281	\$ 17,281

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Commercial Account	\$ 59
Money Market Investment Account	27,632
Taxes Receivable	2,074
Due from Other Funds	<u>19</u>
 TOTAL ASSETS	 <u><u>\$ 29,784</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Unreserved	<u>29,784</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 29,784</u></u>

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes	\$ 17,000	\$ 16,285	\$ (715)
Non-Business Permits	0	1,395	1,395
State Grants	40,000	44,517	4,517
Charges for Services	1,000	1,660	660
Interest and Rents	1,900	1,314	(586)
Other Revenues	1,000	211	(789)
Total Revenues	<u>\$ 60,900</u>	<u>\$ 65,382</u>	<u>\$ 4,482</u>
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 5,563	\$ 5,415	\$ 148
General Government			
Supervisor	1,807	1,547	260
Assessor	8,000	7,505	495
Clerk	6,283	6,283	0
Board of Review	1,000	540	460
Treasurer	6,595	6,595	0
Election	3,000	2,279	721
Building and Grounds	3,000	1,464	1,536
Cemetery	10,000	8,152	1,848
Public Safety			
Fire Protection	10,000	9,162	838
Public Works			
Highways, Streets, and Bridges	37,207	26,604	10,603
Community and Economic Development			
Planning and Zoning	1,299	1,299	0
Land Division	810	810	0
Recreation and Cultural	500	300	200

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Other Functions			
Insurance and Bonds	5,000	4,786	214
Employee Benefits	5,000	2,064	2,936
Contingency	3,000	0	3,000
Total Expenditures	\$ 108,064	\$ 84,805	\$ 23,259
Excess of Revenues Over (Under) Expenditures	\$ (47,164)	\$ (19,423)	\$ 27,741
<u>FUND BALANCE</u> - Beginning of Year	47,280	49,207	1,927
<u>FUND BALANCE</u> - End of Year	\$ 116	\$ 29,784	\$ 29,668

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Current Property Taxes	\$ 15,058	
Swamp Tax	1,227	
Total Taxes		\$ 16,285

NON-BUSINESS PERMITS

Land Use Permits	\$ 560	
Building Permits	385	
Zoning Permits	450	
Total Non-Business Permits		1,395

STATE GRANTS

State Revenue Sharing		
Sales and Use Tax	\$ 41,525	
Telecommunications Right of Way Maintenance	2,992	
Total State Grants		44,517

CHARGES FOR SERVICES

Dog License Fees	\$ 10	
Grave Openings	1,650	
Total Charges for Services		1,660

INTEREST AND RENTS

Interest Earnings	\$ 424	
Rents and Royalties	890	
Total Interest and Rents		1,314

OTHER REVENUES

Miscellaneous		211
TOTAL REVENUES		\$ 65,382

HARTWICK TOWNSHIP, OSCEOLA COUNTY

EVART, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 2,009

Other Services and Charges

Professional Services 1,375

Transportation 22

Printing and Publishing 1,284

Education and Training 200

Memberships and Dues 343

Miscellaneous - Other 182

Total Legislative \$ 5,415

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 1,547

Assessor

Other Services and Charges

Contracted Services \$ 7,000

Supplies

Office Supplies 505

Total Assessor 7,505

Clerk

Personal Services

Salaries and Wages \$ 5,524

Per Diem 100

Supplies

Office Supplies 500

Other Services and Charges

Transportation 52

Education and Training 107

Total Clerk 6,283

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Board of Review			
Personal Services			
Salaries and Wages			540
Treasurer			
Personal Services			
Salaries and Wages	\$	5,524	
Per Diem		40	
Supplies			
Office Supplies		812	
Other Services and Charges			
Education and Training		83	
Transportation		126	
Miscellaneous - Other		10	
Total Treasurer			6,595
Elections			
Personal Services			
Salaries and Wages	\$	1,820	
Other Services and Charges			
Printing and Publishing		453	
Transportation		6	
Total Elections			2,279
Building and Grounds			
Supplies			
Operating Supplies	\$	60	
Other Services and Charges			
Contracted Services		330	
Utilities		1,074	
Total Building and Grounds			1,464
Cemetery			
Supplies			
Operating Supplies	\$	23	
Other Services and Charges			
Contracted Services		8,066	
Printing and Publishing		63	
Total Cemetery			8,152
Total General Government			34,365

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

PUBLIC SAFETY

Fire Protection		
Other Services and Charges		
Aid to Other Governments		9,162

PUBLIC WORKS

Highways, Streets and Bridges		
Other Services and Charges		
Road Maintenance		26,604

COMMUNITY AND ECONOMIC DEVELOPMENT

Planning and Zoning			
Personal Services			
Per Diem	\$	538	
Supplies			
Office Supplies		11	
Other Services and Charges			
Professional Services		528	
Printing and Publishing		178	
Education and Training		44	1,299
Land Division			
Other Services and Charges			
Contracted Services			810
Total Community and Economic Development			2,109

RECREATION AND CULTURAL

Library			
Other Services and Charges			
Aid to Other Governments			300

OTHER FUNCTIONS

Insurance and Bonds		\$	4,786	
Employee Benefits				
Medicare and Social Security	\$	58		
Worker's Compensation		900		
Pension Contribution		1,106		
Total Employee Benefits			2,064	
Total Other Functions				6,850
TOTAL EXPENDITURES				\$ 84,805

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

ROAD FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Certificate of Deposit	\$ 14,900
Taxes Receivable	<u>2,381</u>
 TOTAL ASSETS	 <u><u>\$ 17,281</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Road Improvements	<u>17,281</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 17,281</u></u>

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

ROAD FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2005

REVENUES

Taxes

Property Tax Levy

\$ 17,281

EXPENDITURES

0

Excess of Revenues over Expenditures

\$ 17,281

FUND BALANCE - Beginning of Year

0

FUND BALANCE - End of Year

\$ 17,281

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2005

<u>ASSETS</u>					
	BALANCE				BALANCE
	April 1, 2004	ADDITIONS	DELETIONS		March 31, 2005
Cash					
Commercial Account	\$ 16	\$ 391,758	\$ 391,755	\$	19
<u>LIABILITIES</u>					
Due to Other Governments	\$ 0	\$ 363,587	\$ 363,587	\$	0
Due to Other Funds	16	28,171	28,168		19
	\$ 16	\$ 391,758	\$ 391,755	\$	19

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF 2004 TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County	\$ 168,556	
Township		
Operating	15,057	
Roads	17,280	
Schools		
Evert Public Schools	169,085	
Marion Public Schools	460	
Pine River Area Schools	6,622	
Intermediate Schools		
Mecosta-Osceola Intermediate School	71,211	
Wexford-Missaukee Intermediate School	<u>5,532</u>	\$ 453,803

TAXES COLLECTED

County	\$ 145,335	
Township		
Operating	12,983	
Roads	14,899	
Schools		
Evert Public Schools	145,943	
Marion Public Schools	460	
Pine River Area Schools	5,591	
Intermediate Schools		
Mecosta-Osceola Intermediate School	61,315	
Wexford-Missaukee Intermediate School	<u>4,895</u>	<u>391,421</u>

TAXES RETURNED DELINQUENT

County	\$ 23,221	
Township		
Operating	2,074	
Roads	2,381	
Schools		
Evert Public Schools	23,142	
Marion Public Schools	0	
Pine River Area Schools	1,031	
Intermediate Schools		
Mecosta-Osceola Intermediate School	9,896	
Wexford-Missaukee Intermediate School	<u>637</u>	<u>\$ 62,382</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

June 20, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Hartwick Township
Osceola County
Ewart, Michigan

As a result of our audit of the financial statements of Hartwick Township for the year ended March 31, 2005, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Township.

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

1. A budget was not adopted for the newly established Road Fund. In the future, a budget should be adopted for this fund in addition to the General Fund budget.
2. All budgets should include actual prior year amounts as well as an estimate of current year results.

New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for Township financial statements. For Hartwick Township, these changes were implemented in the March 31, 2005 financial audit.

Some of the more significant changes required by GASB 34 are as follows:

1. Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
2. Several new types of financial statements are now included that reports financial information on a Township-wide basis and incorporates capital assets, a provision for depreciation on those assets.

Reportable Condition in Internal Controls

In planning and performing our audit of the financial statements of Hartwick Township for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

General Recordkeeping

The accounting records for the year ended March 31, 2005, were found to be in good order and in compliance with the State's uniform accounting system. We commend the Clerk and Treasurer for a job well done and encourage them to keep up the fine effort.

We would like to thank the Board for its continued confidence in our firm by awarding us the audit assignment of the Township. We would also like to thank the Clerk and Treasurer for their cooperation in helping us fulfill the audit of the Township records.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 20, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Hartwick Township
Osceola County
Ewart, Michigan

In planning and performing our audit of the financial statements of Hartwick Township, Osceola County, Ewart, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. The Township has implemented all reasonable internal controls and when consideration is made of the cost of implementing additional controls versus the benefit to be derived by additional controls, the costs far outweigh the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.